Wray Community District Hospital

Combined Financial Statements and Independent Auditors' Reports

December 31, 2025 and 2024

ACCOUNTANTS | ADVISORS

Wray Community District Hospital
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ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Wray Community District Hospital
Wray, Colorado

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of Wray Community District Hospital (the District), as of and for the years ended December 31, 2025 and 2024, and the related notes to the combined financial statements, which collectively comprise the District's combined financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has not presented the management's discussion and analysis that GAAP requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of net position; combining statement of revenues, expenses, and changes in net position; and the schedule of budget and actual revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, as well as other additional procedures, in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

DZA PLLC

Spokane Valley, Washington
June 17, 2026

FINANCIAL STATEMENTS

Wray Community District Hospital
Statements of Net Position
December 31, 2025 and 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2025	2024
Current assets		
Cash and cash equivalents	**$ 5,705,619**	$ 9,014,820
Investments	**5,353,422**	5,122,053
Receivables:		
Patient and resident accounts, net	**5,998,637**	6,373,827
Property taxes	**504,655**	490,335
Estimated third-party payor settlements	**-**	46,000
CARES Act Employee Retention Credit	**3,839,190**	3,839,190
Other	**117,789**	176,964
Inventories	**1,849,303**	1,455,645
Prepaid expenses	**884,282**	923,949
Total current assets	**24,252,897**	27,442,783
Noncurrent assets		
Cash and cash equivalents restricted for debt reserve fund	**71,074**	61,786
Restricted investments held as collateral	**863,077**	228,753
Depreciable capital assets, net	**15,971,931**	15,924,534
Nondepreciable capital assets	**3,983,484**	2,589,897
Total noncurrent assets	**20,889,566**	18,804,970
Total assets	**45,142,463**	46,247,753
Deferred outflows of resources, excess consideration paid in acquistion of Foltmer Drug, Inc.	**853,118**	**-**
Total assets and deferred outflows of resources	**$ 45,995,581**	$ 46,247,753

See accompanying notes to financial statements.

Wray Community District Hospital
Statements of Net Position (Continued)
December 31, 2025 and 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2025	2024
Current liabilities		
Accounts payable	**$ 2,668,965**	$ 2,257,497
Capital accounts payable	**-**	768,576
Accrued compensation and related liabilities	**2,578,502**	2,430,874
Estimated third-party payor settlements	**660,500**	-
Current maturities of long-term debt	**1,377,904**	1,104,807
Unearned grant revenue	**1,042,749**	441,808
Total current liabilities	**8,328,620**	7,003,562
Long-term debt, net of current maturities	**5,970,703**	6,174,497
Total liabilities	**14,299,323**	13,178,059
Deferred inflows of resources, property tax levy	**504,655**	490,335
Net position		
Net investment in capital assets	**12,602,619**	10,466,551
Unrestricted	**17,654,833**	21,822,269
Restricted	**934,151**	290,539
Total net position	**31,191,603**	32,579,359
Total liabilities, deferred inflows of resources, and net position	**$ 45,995,581**	$ 46,247,753

See accompanying notes to financial statements.

Wray Community District Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues		
Net patient and resident service revenue	**$ 50,743,741**	$ 45,661,767
Grants	**280,942**	427,008
Other	**184,586**	213,287
Total operating revenues	**51,209,269**	46,302,062
Operating expenses		
Salaries and wages	**19,018,342**	16,857,103
Employee benefits	**5,362,142**	4,551,978
Professional fees and other purchased services	**12,529,955**	10,801,972
Supplies	**8,731,968**	7,729,571
Depreciation and amortization	**2,511,552**	2,575,898
Insurance	**423,464**	314,965
Utilities	**564,968**	535,140
Repairs and maintenance	**894,549**	849,985
Leases and rentals	**64,794**	61,468
Provider fees	**1,210,234**	725,945
Other	**2,178,324**	2,167,756
Total operating expenses	**53,490,292**	47,171,781
Operating loss	**$ (2,281,023)**	$ (869,719)

See accompanying notes to financial statements.

Wray Community District Hospital
Statements of Revenues, Expenses, and Changes in Net Position (Continued)
Years Ended December 31, 2025 and 2024

	2025	2024
Nonoperating revenues (expenses)		
Taxation for operations	**$ 540,608**	$ 617,657
Interest income	**356,076**	440,502
Interest expense	**(319,499)**	(370,406)
Total nonoperating revenues (expenses), net	**577,185**	687,753
Change in net position before extraordinary item and capital grants	**(1,703,838)**	(181,966)
Extraordinary item - net gain on insurance settlement	**-**	1,432,325
Capital grants	**316,082**	125,500
Change in net position	**(1,387,756)**	1,375,859
Net position, beginning of year	**32,579,359**	31,203,500
Net position, end of year	**$ 31,191,603**	$ 32,579,359

See accompanying notes to financial statements.

Wray Community District Hospital
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Change in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	**$ 51,825,431**	$ 44,299,306
Other receipts	**243,761**	209,093
Proceeds from grants	**280,942**	427,008
Payments to and on behalf of employees	**(24,232,856)**	(21,223,014)
Payments to suppliers and contractors	**(26,540,779)**	(23,320,752)
Net cash from operating activities	**1,576,499**	391,641
Cash flows from noncapital financing activities		
Acquisition of Foltmer Drug, Inc.	**(30,728)**	-
Taxation for operations	**540,608**	617,657
Net cash from noncapital financing activities	**509,880**	617,657
Cash flows from capital and related financing activities		
Purchase of capital assets	**(4,622,149)**	(3,440,664)
Proceeds from capital grants	**917,023**	281,188
Insurance settlement proceeds	**-**	2,290,681
Principal paid on long-term debt	**(1,252,250)**	(1,066,080)
Proceeds from issuance of long-term debt	**400,200**	-
Principal paid on short-term notes payable	**-**	(348,011)
Interest paid on long-term debt and short-term notes payable	**(319,499)**	(452,677)
Net cash from capital and related financing activities	**(4,876,675)**	(2,735,563)
Cash flows from investing activities		
Sales of investments	**487,049**	93,517
Purchases of investments	**(1,352,742)**	-
Investment income	**356,076**	440,502
Net cash from investing activities	**(509,617)**	534,019
Net change in cash and cash equivalents	**(3,299,913)**	(1,192,246)
Cash and cash equivalents, beginning of year	**9,076,606**	10,268,852
Cash and cash equivalents, end of year	**$ 5,776,693**	$ 9,076,606

See accompanying notes to financial statements.

Wray Community District Hospital
Statements of Cash Flows (Continued)
Years Ended December 31, 2025 and 2024

		2025		2024
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position				
Cash and cash equivalents in current assets	**$**	**5,705,619**	$	9,014,820
Cash and cash equivalents restricted for debt reserve fund		**71,074**		61,786
Total cash and cash equivalents	**$**	**5,776,693**	$	9,076,606
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	**$**	**(2,281,023)**	$	(869,719)
Adjustments to reconcile operating loss to net cash from operating activities				
Depreciation and amortization		**2,511,552**		2,575,898
Provision for bad debts		**2,136,992**		1,571,213
Change in assets:				
Patient and resident accounts receivable		**(1,761,802)**		(2,856,770)
Estimated third-party payor settlements		**46,000**		295,000
Other receivables		**59,175**		(6,389)
Inventories		**(393,658)**		(297,818)
Prepaid expenses		**39,667**		(232,154)
Change in liabilities:				
Accounts payable		**411,468**		398,217
Accrued compensation and related liabilities		**147,628**		186,067
Estimated third-party payor settlements		**660,500**		-
Refunds payable for overpayments on patient accounts		-		(371,904)
Net cash from operating activities	**$**	**1,576,499**	$	391,641

See accompanying notes to financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Wray Community District Hospital (the District) is a 15-bed critical access hospital located in Wray, Colorado. The District is a political subdivision of the state of Colorado for the purpose of providing medical care to the residents of Yuma County, Colorado. The District is exempt from income taxes under Section 115 of the Internal Revenue Code (IRC) and a similar provision of the state law. The District is governed by a Board of Directors consisting of five members elected by the residents of the District. The District is not a component unit of another government entity.

The District also has dual status as a tax-exempt organization as described in Section 501(c)(3) of the IRC. The District is exempt from federal income tax.

Blended component units – Wray Community Long Term Care, Inc. doing business as Hillcrest Care Center and The Towers (Hillcrest), is a 45-bed licensed nursing home and 24-unit assisted living facility located in Wray, Colorado. Hillcrest is a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under IRC Section 501(c)(3). Hillcrest is wholly owned by the District and is reported as a blended component unit in the District's financial statements.

Foltmer Drug, Inc. (Foltmer) is a retail pharmacy located in Wray, Colorado. Foltmer is a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under IRC Section 501(c)(3). Foltmer is wholly owned by the District and is reported as a blended component unit in the District's financial statements. The District and its blended component units are collectively referred to as the District.

Wray Community Hospital Foundation – Wray Community Hospital Foundation (the Foundation) is a legally separate, tax-exempt organization under IRC Section 501(c)(3), established primarily to raise and hold funds to support the District and its programs. Although the District does not control the timing or number of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the District. The Foundation is not reported as a component unit of the District in the accompanying financial statements because it is not material to the District. Complete financial statements for the Foundation can be obtained from the Wray Community Hospital Foundation at the following address: P.O. Box 421, Wray, Colorado 80758.

b. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. **Reporting Entity and Summary of Significant Accounting Policies (continued):**

   b. **Summary of Significant Accounting Policies (continued)**

   Enterprise fund accounting – The District's accounting policies conform to GAAP, as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

   Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

   Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit of the related expense.

   Inventories – Supply inventories are stated at cost, determined using the first-in, first-out method. Inventories consist of pharmaceutical, medical, and other supplies used in the operations of the District.

   Capital assets – It is the District's policy to capitalize property and equipment over $5,000 and with a useful life of at least three years; lesser amounts are expensed. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets other than land are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under lease liabilities and leasehold improvements are amortized over the shorter of either the lease term or their respective estimated useful lives. Amortization of assets subject to leases is reported with depreciation expense. Subscription assets are amortized over the shorter of either the subscription term or their respective estimated useful lives. Amortization of subscription assets is reported with depreciation expense.

   Estimated useful lives are as follows:

Buildings and improvements	5 to 40 years
Fixed and major movable equipment	3 to 20 years
Lease right-of-use assets – buildings	5 years
Lease right-of-use assets – equipment	3 to 10 years
Subscription assets	5 to 8 years

   Compensated absences – The District's policies permit most employees to accumulate vacation and other illness benefits that may be realized as paid time off. The expense and the related liability are recognized as vacation benefits are earned. Accruals for other illness benefits are not vested and are estimated based on the amount of the accrued hours expected to be used by the employees. Compensated absence liabilities are computed using the regular pay rate in effect at the statements of net position dates, plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

1. **Reporting Entity and Summary of Significant Accounting Policies (continued):**

   b. **Summary of Significant Accounting Policies (continued)**

   Net position – Net position has three classifications. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position.*

   Operating revenues and expenses – The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities, associated with providing healthcare services – the District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services other than financing costs.

   Grants and contributions – From time to time, the District receives grants from the state of Colorado and others, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted for specific projects or purposes related to the District's operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

   Cash and cash equivalents restricted for debt reserve fund and restricted investments held as collateral – The District's restricted cash and equivalents is for a debt reserve account. The District's promissory note with the United States Department of Agriculture (USDA) requires the District to establish a reserve account and set aside $704 each month into that account for ten years. Its restricted investments held as collateral is for certificates of deposit held as collateral for the District's short-term notes payable and long-term debt.

   Restricted resources – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

   Deferred outflows of resources – The consideration paid for the acquisition of Foltmer in 2025 that was in excess of the fair value of the tangible assets acquired was recorded as deferred outflows of resources and will be amortized on a straight-line basis over ten years, which is management's estimate of an appropriate period to amortize the deferred outflows of resources in accordance with the Governmental Auditing Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations.* The primary tangible assets acquired that did not have to be repaid to the seller was inventory valued at approximately $368,000.

1. **Reporting Entity and Summary of Significant Accounting Policies (continued):**

   b. Summary of Significant Accounting Policies (continued)

   Subsequent events – Certain reclassifications have been made to the 2024 financial statements to conform to the classifications used in the 2025 financial statements with no effect on previously reported changes in net position.

   Subsequent events – The District has evaluated subsequent events and transactions through June 17, 2026, the date on which the financial statements were available to be issued. On January 7, 2026, the District completed the purchase of real property located at 928 and 930 W. 5th Street in Wray, Colorado, for a total purchase price of approximately $700,000. The District used cash reserves for this purchase. Because this transaction occurred after year end and did not relate to conditions existing at year end, no amounts related to this acquisition have been recorded in the accompanying financial statements.

   Upcoming accounting standard pronouncements – In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which increases the usefulness of governments' financial statements by improving definitions and disclosures related to management's discussion and analysis, unusual or infrequent items, and nonoperating revenue. It also changes presentation requirements for component units and budgetary comparison information. These changes will improve the comparability of the financial statements. The new guidance is effective for the District's year ending December 31, 2026, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

2. **Bank Deposits and Investments:**

   Deposits:

   Under Colorado State statute, the Commercial Bank Code Public Deposit Protection Act of 1989 (PDPA) protects public funds held in bank deposit accounts in the event that the bank holding the public deposits becomes insolvent. As defined by the PDPA, deposit accounts include checking, savings, bank money market, and certificates of deposit accounts. Banks must deliver bank assets (usually securities) to a third-party institution, which are pledged to the Colorado Division of Banking, for all Colorado public depositors.

   The bank balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per entity. Any excess of deposits over the FDIC limit not insured is covered by collateral pledged by the financial institution in accordance with the PDPA.

   Investments:

   Colorado State statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, banker's acceptance notes, commercial paper, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District in its name or in custody of a third party on behalf of the local government.

2. Bank Deposits and Investments (continued):

Custodial credit risk – Custodial credit risk is the risk that, in the event of a failure of the depository institution, the District may not be able to recover its deposits or investments. The District's investment policy does not contain policy requirements that would limit the exposure to custodial credit risk for investments.

Credit risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The District has a policy specifically limiting its investments to U.S. government-backed securities, insured certificates of deposits, or money market accounts.

Concentration of credit risk – Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from single issuer). It is the District's policy to limit its investments to U.S. government-backed securities, insured certificates of deposit, or money market accounts and to limit investments in a single security to 50 percent of excess operating funds or capital reserves funds.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates could adversely affect an investment's fair value. The District has a policy specifically managing its exposure to fair value losses arising from changing interest rates.

As of December 31, 2025 and 2024, all investments held by the District consisted of certificates of deposit with maturity dates of one year or less. Investments in certificates of deposit are carried at fair value. Investment income includes interest income and accrued interest on certificates of deposit.

Fair value measurements – The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. As of December 31, 2025 and 2024, all investments were in certificates of deposits valued with significant other inputs (Level 2).

3. Patient and Resident Accounts Receivable:

Patient and resident accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of patient and resident accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

3. Patient and Resident Accounts Receivable (continued):

For receivables associated with self-pay patients and residents (which include both patients and residents without insurance and patients and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients and residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts collected after all reasonable collection efforts have been exhausted, is charged off against the allowance for uncollectible accounts.

The District's allowance for uncollectible accounts has not changed significantly from the prior year. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Patient and resident accounts receivable reported as current assets by the District were as follows:

		2025		2024
Receivable from patients and their insurance carriers	**$**	**5,715,240**	$	6,286,481
Receivable from Medicare		**2,014,235**		1,959,856
Receivable from Medicaid		**568,279**		484,411
Total patient and resident accounts receivable		**8,297,754**		8,730,748
Less allowance for uncollectible accounts		**(2,299,117)**		(2,356,921)
Patient and resident accounts receivable, net	**$**	**5,998,637**	$	6,373,827

4. Property Taxes:

The Yuma County Treasurer acts as an agent to assess and collect property taxes levied in the county for all taxing authorities. Property taxes are levied and assessed in December of the prior year on property values assessed as of the same date. Taxes are due in two equal amounts by February 28 and June 15, or all may be paid by April 30. Taxes estimated to be collectible are recorded as revenue by the District in the year the taxes are due. The assessed property is subject to lien on the levy date. Therefore, no allowance for uncollectible taxes receivable is considered necessary at the statement of net position dates.

For 2025, the District's regular tax levy was $3.227 per $1,000 on a total assessed valuation of $159,618,880, for a total regular levy of $504,655.

For 2024, the District's regular tax levy was $3.227 per $1,000 on a total assessed valuation of $151,947,530, for a total regular levy of $490,335.

5. Capital Assets:

Capital asset additions, retirements, transfers, and balances reported by the District were as follows:

	Balance December 31, 2024	Additions	Retirements	Transfers	Balance December 31, 2025
Capital assets not being depreciated or amortized					
Land	$ 124,672	$ -	$ -	$ -	**$ 124,672**
Construction in progress	2,465,225	3,567,700	-	(2,174,113)	**3,858,812**
Total capital assets not being depreciated or amortized	2,589,897	3,567,700	-	(2,174,113)	**3,983,484**
Capital assets being depreciated or amortized					
Buildings and improvements	21,391,191	2,423	-	1,825,228	**23,218,842**
Fixed and major movable equipment	12,599,914	283,450	(11,912)	348,885	**13,220,337**
Lease right-of-use assets - buildings	200,349	-	-	-	**200,349**
Lease right-of-use assets - equipment	3,353,141	98,963	-	-	**3,452,104**
Subscription assets	5,009,023	-	-	-	**5,009,023**
Total capital assets being depreciated or amortized	42,553,618	384,836	(11,912)	2,174,113	**45,100,655**
Less accumulated depreciation and amortization for					
Buildings and improvements	(10,597,404)	(722,334)	-	-	**(11,319,738)**
Fixed and major movable equipment	(13,014,450)	(815,156)	11,912	-	**(13,817,694)**
Lease right-of-use assets - buildings	(331,295)	(37,568)	-	-	**(368,863)**
Lease right-of-use assets - equipment	(1,441,875)	(351,473)	-	-	**(1,793,348)**
Subscription assets	(1,244,060)	(585,021)	-	-	**(1,829,081)**
Total accumulated depreciation and amortization	(26,629,084)	(2,511,552)	11,912	-	**(29,128,724)**
Total capital assets being depreciated or amortized, net	15,924,534	(2,126,716)	-	2,174,113	**15,971,931**
Capital assets, net	**$ 18,514,431**	**$ 1,440,984**	**$ -**	**$ -**	**$ 19,955,415**

5. Capital Assets (continued):

	Balance December 31, 2023	Additions	Retirements	Transfers	Balance December 31, 2024
Capital assets not being depreciated or amortized					
Land	$ 124,672	$ -	$ -	$ -	**$ 124,672**
Construction in progress	1,193,287	1,472,067	-	(200,129)	**2,465,225**
Total capital assets not being depreciated or amortized	1,317,959	1,472,067	-	(200,129)	**2,589,897**
Capital assets being depreciated or amortized					
Buildings and improvements	20,761,123	2,211,905	(1,608,785)	26,948	**21,391,191**
Fixed and major movable equipment	11,901,464	525,269	-	173,181	**12,599,914**
Lease right-of-use assets - buildings	200,349	-	-	-	**200,349**
Lease right-of-use assets - equipment	3,353,141	-	-	-	**3,353,141**
Subscriptions assets	5,009,023	-	-	-	**5,009,023**
Total capital assets being depreciated or amortized	41,225,100	2,737,174	(1,608,785)	200,129	**42,553,618**
Less accumulated depreciation and amortization for					
Buildings and improvements	(10,688,419)	(659,413)	750,428	-	**(10,597,404)**
Fixed and major movable equipment	(12,072,027)	(942,423)	-	-	**(13,014,450)**
Lease right-of-use assets - buildings	(31,305)	(299,990)	-	-	**(331,295)**
Lease right-of-use assets - equipment	(1,402,716)	(39,159)	-	-	**(1,441,875)**
Subscription assets	(609,147)	(634,913)	-	-	**(1,244,060)**
Total accumulated depreciation and amortization	(24,803,614)	(2,575,898)	750,428	-	**(26,629,084)**
Total capital assets being depreciated or amortized, net	16,421,486	161,276	(858,357)	200,129	**15,924,534**
Capital assets, net	**$ 17,739,445**	**$ 1,633,343**	**$ (858,357)**	**$ -**	**$ 18,514,431**

Construction in progress at December 31, 2025, consisted primarily of costs for a hospital expansion project and building repairs due to hailstorm damage in 2024. The expansion project is expected to be completed in the summer of 2028 with additional estimated costs of $27,049,000. The District was approved for a loan from the USDA to finance the project.

For the building repairs, the hospital building repairs had an estimated cost to complete of approximately $15,000 as of December 31, 2025, with completion in April 2026. The nursing home building repairs were finished in October of 2025. The projects are funded by property insurance proceeds.

Related-party transactions – Included above in the additions to buildings and improvements for the year ended December 31, 2024, was the purchase of three condominium units and a townhome with a total aggregate cost of $1,000,000. The seller of these properties is a current member of the Board of Directors for the District.

6. Long-term Debt:

A schedule of changes in the District's long-term debt follows:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Amounts Due Within One Year
Note payable	$ 228,715	$ 1,222,590	$ (177,086)	$ 1,274,219	**$ 288,969**
USDA mortgage payable	1,464,805	-	(38,381)	1,426,424	**39,782**
Lease liabilities	1,723,893	98,963	(458,156)	1,364,700	**438,685**
Subscription liabilities	3,861,891	-	(578,627)	3,283,264	**610,468**
Total long-term debt	**$ 7,279,304**	**$ 1,321,553**	**$ (1,252,250)**	**$ 7,348,607**	**$ 1,377,904**

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
Note payable	$ 261,271	$ -	$ (32,556)	$ 228,715	**$ 33,222**
USDA mortgage payable	1,501,899	-	(37,094)	1,464,805	**38,415**
Lease liabilities	2,172,430	-	(448,537)	1,723,893	**454,542**
Subscription liablities	4,409,784	-	(547,893)	3,861,891	**578,628**
Total long-term debt	**$ 8,345,384**	**$ -**	**$ (1,066,080)**	**$ 7,279,304**	**$ 1,104,807**

The terms and due dates of the District's long-term debt were as follows:

- ***First Pioneer National Bank loan*** – The note payable matures May 31, 2027, and is due in quarterly installments of principal and interest of $9,440 and one lump-sum payment of $187,891, including interest, due at maturity. The note is secured by investments held by the District. The outstanding note contains a provision that in the event of default, the timing of repayment of the outstanding amounts becomes immediately due, as listed in the events of default in the agreement.

- ***Foltmer loan*** – The loan from the seller of the Foltmer pharmacy in the amount of $822,390 was effective October 1, 2025, with payments of $250,872 annually, including interest at 5.5 percent for three years beginning in July 2026. The loan matures in July 2028.

- ***Foltmer bank loans*** – The two bank loans from First Pioneer National Bank and Wray State Bank in the amounts of $200,100 each were effective October 1, 2025, with combined total payments of $4,382 per month, including interest at 5.65 percent for 60 months beginning in October 2025. The loans mature in October 2030.

6. Long-term Debt (continued):

Scheduled principal and interest payments on the notes payable are as follows:

Years Ending December 31,	Note Payable		
	Principal	Interest	Total
2026	$ 288,969	$ 53,998	$ 342,967
2027	294,143	48,760	342,903
2028	309,452	33,451	342,903
2029	74,833	17,198	92,031
2030	306,822	12,133	318,955
	$ 1,274,219	**$ 165,540**	**$ 1,439,759**

The terms and due dates of the USDA mortgage payable were as follows:

The USDA mortgage payable matures July 1, 2049, and is due in monthly installments of principal and interest of $7,421, including interest at 3.5 percent. The note is secured by certain capital assets, revenues, and other assets. The mortgage agreement contains a provision that in the event of default, the timing of repayment of the outstanding amounts become immediately due, as listed in the events of default in the agreements. Scheduled principal and interest payments on the mortgage payable are as follows:

Years Ending December 31,	USDA Mortgage Payable		
	Principal	Interest	Total
2026	$ 39,782	$ 49,270	$ 89,052
2027	41,197	47,855	89,052
2028	42,659	46,393	89,052
2029	44,179	44,873	89,052
2030	45,750	43,302	89,052
2031-2035	254,346	190,914	445,260
2036-2040	302,909	142,351	445,260
2041-2045	360,750	84,510	445,260
2046-2049	294,852	18,915	313,767
	$ 1,426,424	**$ 668,383**	**$ 2,094,807**

6. Long-term Debt (continued):

Lease liabilities – The District has recorded lease liabilities for the following lease arrangements:

- Surgical robot lease, effective January 1, 2023, with payments of $34,036 per month for 60 months, beginning in January 2024. No payments were required for the first 12 months. The lease term ends in December 2028. The lease liability was calculated using an imputed interest rate of 5.25 percent.
- Foltmer building lease, effective October 1, 2025, with payments ranging from $1,500 to $1,739 per month for 60 months, beginning in January of 2026. The lease term ends in September 2031. The lease liability was calculated using an imputed interest rate of 5.5 percent.
- Various other lease liabilities, payable to various lenders in the aggregate original amount of $372,200, due in monthly payments between $3,018 and $3,671, including interest from 2.05 percent to 5.25 percent, through June 2028.

Scheduled principal and interest payments on lease liabilities are as follows:

Years Ending December 31,	Lease Liabilities		
	Principal	Interest	Total
2026	$ 438,685	$ 51,212	$ 489,897
2027	438,835	32,322	471,157
2028	436,785	12,907	449,692
2029	17,405	2,412	19,817
2030	18,996	1,415	20,411
2031	13,994	353	14,347
	$ 1,364,700	**$ 100,621**	**$ 1,465,321**

Subscription liabilities – The District has recorded subscription liabilities for the following subscription arrangements:

- Cerner electronic health records agreement, effective January 1, 2021, with payments of $60,656 per month for 96 months beginning in January 2021. The agreement term ends in December 2030. The subscription liability was calculated using an imputed interest rate of 5.25 percent. The monthly payments increase by approximately 0.1 percent per year.
- Multiview enterprise resource planning software agreement, effective October 1, 2023, with payments of $39,667 per year for five years beginning in October 2023. The agreement term ends in September 2028. The subscription liability was calculated using an imputed interest rate of 5.95 percent.

6. Long-term Debt (continued):

Scheduled principal and interest payments on subscription liabilities are as follows:

Years Ending December 31,	Subscription Liabilities		
	Principal	Interest	Total
2026	$ 610,468	$ 159,174	$ 769,642
2027	644,278	126,122	770,400
2028	640,278	91,238	731,516
2029	675,552	56,783	732,335
2030	712,688	20,429	733,117
	$ 3,283,264	**$ 453,746**	**$ 3,737,010**

7. Net Patient and Resident Service Revenue:

The District recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy).

On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District has not changed its charity care or uninsured discount policies during fiscal year 2025.

7. Net Patient and Resident Service Revenue (continued):

Patient and resident service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2025	2024
Patient and resident service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 13,878,175**	$ 13,428,395
Medicaid	**6,297,092**	5,889,820
Other third-party payors	**19,872,565**	16,594,386
Patients	**4,992,282**	4,987,650
CHASE supplemental payments	**6,029,722**	4,642,037
Capitation payments	**275,099**	477,729
340B contract pharmacy	**1,609,459**	1,332,393
	52,954,394	47,352,410
Less:		
Charity care	**73,661**	119,430
Provision for bad debts	**2,136,992**	1,571,213
Net patient and resident service revenue	**$ 50,743,741**	$ 45,661,767

The District has agreements with third-party payors that provide payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- ***Medicare*** – The District has been designated a critical access hospital by Medicare and is reimbursed for inpatient, outpatient, and clinic services on a cost basis, as defined and limited by the Medicare program. The District is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor. Physician services are reimbursed on a fee schedule. Hillcrest is reimbursed for skilled nursing facility services under a prospective payment system.

- ***Medicaid*** – Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Physician services are reimbursed on a fee schedule. Hillcrest is reimbursed for nursing services based on prospectively determined rates per day.

- ***Other*** – The District has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

7. Net Patient and Resident Service Revenue (continued):

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient and resident service revenue decreased by approximately $154,000 in 2025 and increased by approximately $31,000 in 2024, due to differences between original estimates and final settlements or revised estimates.

Under the Colorado Health Care Affordability Act (the Act), the District pays provider fees to the state of Colorado. The provider fees are based on inpatient days and outpatient charges. The District also receives various supplemental payments from the state of Colorado under the Act.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from the Medicare cost report. The costs of caring for charity care patients were approximately $53,000 and $90,000 for the years ended December 31, 2025 and 2024, respectively. The District received approximately $6,030,000 and $4,642,000 from supplemental Medicaid payments and the Colorado Indigent Care Program for the years ended December 31, 2025 and 2024, respectively, to subsidize the cost of caring for charity care patients and to cover the gap where the cost of caring for Medicaid patients exceeded Medicaid payments.

8. CARES Act Employee Retention Credit:

The District is eligible for the CARES Act Employee Retention Credit (ERC), which is a refundable payroll tax credit, subject to certain criteria. The District claimed the ERC in September 2023 in the amount of $3,839,190 by amending its Form 941, *Employer Quarterly Federal Tax Returns*, for the quarters ended March 31, 2021; June 30, 2021; and September 30, 2021. The District used a consultant to assist them with the filing and claiming of the ERC. Per the contract, the District is to pay the consultant a total of $396,000. The District received the ERC payments in 2026.

Laws and regulations concerning the ERC are complex and subject to varying interpretations. ERC claims may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the District's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the District.

As of December 31, 2025 and 2024, the District recorded a receivable in the amount of $3,839,190 in the accompanying statements of net position, a payable to the consultant in the amount of $396,000 (which is included in accounts payable in the accompanying statements of net position). The revenue and expense for ERC were recorded in the year ended December 31, 2023.

9. Contingencies and Commitments:

Medical malpractice claims – The District has its professional liability insurance with Copic Insurance (Copic). The Copic policy provides protection on a "claims-made" basis, whereby only malpractice claims reported to the insurance carriers in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the District purchased claims-made insurance in that year or the District purchased "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy.

The malpractice insurance provides $1,000,000 per claim, with an additional aggregate limit of $3,000,000. The policy does not have a deductible.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year. Further, the District is subject to provisions of the Colorado Governmental Immunity Act, which provides a limitation on the liability of the District.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

Tax, spending, and debt limitations – At the November 3, 1992, general election, Colorado voters approved an amendment to the Colorado Constitution, Article X, Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR was effective December 31, 1992, and its provisions limit government taxes, spending revenues, and debt without electoral approval.

TABOR, by its terms, applies to local governments such as special districts but excludes "enterprises," which are defined as (1) a government owned business, (2) authorized to issue its own debt, and (3) receives less than 10 percent of its annual revenue in grants from all state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance.

Risk management – The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for any of the three preceding years.

Budget – The District overspent its approved budgeted expenses by $3,751,190 in 2025.

10. Pension Plan:

The District contributes to the Wray Community District Hospital Employees' Retirement Plan (the Plan), a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the District's required contributions, determined in accordance with the terms of the Plan. The Plan is administered by a Board of Trustees, appointed by American United Life Insurance Company. The Plan provides retirement and death benefits to Plan members and their beneficiaries. Benefit provisions are contained in the Plan document and were established and can be amended by action of the District's governing body. Contributions made by the District were approximately $403,000 and $385,000 during 2025 and 2024, respectively. Plan members made contributions during 2025 and 2024 of approximately $934,000 and $786,000, respectively, which included 457 contributions.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in District contributions after completion of seven years of credible service with the District. Nonvested District contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the Plan's current period contribution requirement.

11. Deferred Compensation Plan:

The District has a deferred compensation plan, the Wray Community Hospital District Deferred Compensation Plan (the Deferred Compensation Plan), created in accordance with the IRC Section 457. The Deferred Compensation Plan is administered by independent plan administrators through administrative service agreements. The Deferred Compensation Plan is available to all permanent District employees. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. Deferred Compensation Plan assets are held in trust, with the District having no fiduciary responsibility, for the exclusive benefit of the Deferred Compensation Plan participants and their beneficiaries. The assets cannot be diverted to any other purpose. Benefit provisions are contained in the Plan document and were established and can be amended by action of the District's governing body.

12. Concentration of Credit Risk:

Patient and resident accounts receivable – The District grants credit without collateral to its patients and residents, most of whom are area residents and are insured under third-party payor agreements. The following is the mix of receivables from patients and residents and third-party payors reported by the District:

	2025	2024
Medicare	**25 %**	26 %
Medicaid	**11**	9
Other third-party payors	**41**	41
Patients	**23**	24
	100 %	100 %

Physicians – The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on District operations.

SUPPLEMENTARY INFORMATION

Wray Community District Hospital
Combining Statement of Net Position
December 31, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Hospital	Hillcrest	Foltmer	Eliminations	Total
Current assets					
Cash and cash equivalents	$ 5,284,889	$ 196,064	$ 224,666	$ -	$ 5,705,619
Investments	5,293,275	-	-	60,147	5,353,422
Receivables:					
Patient and resident accounts, net	5,618,928	379,709	-	-	5,998,637
Property taxes	504,655	-	-	-	504,655
CARES Act Employee Retention Credit	2,794,214	1,044,976	-	-	3,839,190
Other	1,615,911	-	64,369	(1,562,491)	117,789
Inventories	1,396,510	-	452,793	-	1,849,303
Prepaid expenses	741,212	143,070	-	-	884,282
Total current assets	23,249,594	1,763,819	741,828	(1,502,344)	24,252,897
Noncurrent assets					
Cash and cash equivalents restricted for debt reserve fund	-	71,074	-	-	71,074
Restricted investments held as collateral	863,077	-	-	-	863,077
Depreciable capital assets, net	12,094,304	3,775,866	101,761	-	15,971,931
Nondepreciable capital assets, net	3,970,307	13,177	-	-	3,983,484
Total noncurrent assets	16,927,688	3,860,117	101,761	-	20,889,566
Total assets	40,177,282	5,623,936	843,589	(1,502,344)	45,142,463
Deferred outflows of resources, excess consideration paid in acquistion of Foltmer Drug, Inc.	853,118	-	-	-	853,118
Total assets and deferred outflows of resources	**$ 41,030,400**	**$ 5,623,936**	**$ 843,589**	**$ (1,502,344)**	**$ 45,995,581**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
Current liabilities					
Accounts payable	$ 2,443,200	$ 979,857	$ 808,399	$ (1,562,491)	$ 2,668,965
Accrued compensation and related liabilities	2,217,788	360,729	(15)	-	2,578,502
Estimated third-party payor settlements	660,500	-	-	-	660,500
Current maturities of long-term debt	1,323,601	39,782	14,521	-	1,377,904
Unearned grant revenue	1,024,749	18,000	-	-	1,042,749
Total current liabilities	7,669,838	1,398,368	822,905	(1,562,491)	8,328,620
Long-term debt, net of current maturities	4,503,230	1,386,642	80,831	-	5,970,703
Total liabilities	12,173,068	2,785,010	903,736	(1,562,491)	14,299,323
Deferred inflows of resources, property tax levy	504,655	-	-	-	504,655
Net position					
Net investment in capital assets	10,237,780	2,358,430	6,409	-	12,602,619
Unrestricted	17,251,820	409,422	(66,556)	60,147	17,654,833
Restricted	863,077	71,074	-	-	934,151
Total net position	28,352,677	2,838,926	(60,147)	60,147	31,191,603
Total liabilities, deferred inflows of resources, and net position	**$ 41,030,400**	**$ 5,623,936**	**$ 843,589**	**$ (1,502,344)**	**$ 45,995,581**

See accompanying independent auditors' report.

Wray Community District Hospital
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2025

	Hospital	Hillcrest	Foltmer	Eliminations	Total
Operating revenues					
Net patient and resident service revenue	$ 44,186,719	$ 5,874,641	$ 827,460	$ (145,079)	$ 50,743,741
Grants	279,104	1,838	-	-	280,942
Other	141,086	43,311	189	-	184,586
Total operating revenues	44,606,909	5,919,790	827,649	(145,079)	51,209,269
Operating expenses					
Salaries and wages	15,798,929	3,069,858	149,555	-	19,018,342
Employee benefits	4,400,251	927,129	34,762	-	5,362,142
Professional fees and other purchased services	11,582,178	932,621	15,156	-	12,529,955
Supplies	7,367,503	405,213	959,252	-	8,731,968
Depreciation and amortization	2,172,647	334,701	4,204	-	2,511,552
Insurance	251,413	168,023	4,028	-	423,464
Utilities	436,517	124,407	4,044	-	564,968
Repairs and maintenance	776,576	116,376	1,597	-	894,549
Leases and rentals	62,350	2,444	-	-	64,794
Provider fees	1,210,234	-	-	-	1,210,234
Other	2,084,839	158,825	79,739	(145,079)	2,178,324
Total operating expenses	46,143,437	6,239,597	1,252,337	(145,079)	53,490,292
Operating loss	(1,536,528)	(319,807)	(424,688)	-	(2,281,023)
Nonoperating revenues (expenses)					
Taxation for operations	540,608	-	-	-	540,608
Interest income	(77,617)	8,116	-	425,577	356,076
Interest expense	(263,717)	(54,893)	(889)	-	(319,499)
Total nonoperating revenues (expenses), net	199,274	(46,777)	(889)	425,577	577,185
Change in net position before capital grants	(1,337,254)	(366,584)	(425,577)	425,577	(1,703,838)
Capital grants	316,082	-	-	-	316,082
Increase in net position from acquisition	-	-	365,430	(365,430)	-
Change in net position	(1,021,172)	(366,584)	(60,147)	60,147	(1,387,756)
Net position, beginning of year	29,373,849	3,205,510	-	-	32,579,359
Net position, end of year	**$ 28,352,677**	**$ 2,838,926**	**$ (60,147)**	**$ 60,147**	**$ 31,191,603**

See accompanying independent auditors' report.

Wray Community District Hospital
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2025

	Actual	Budget	Favorable (Unfavorable) Variance
Operating revenues			
Net patient and resident service revenue	$ 50,743,741	$ 47,662,117	**$ 3,081,624**
Grants	280,942	490,702	**(209,760)**
Other	184,586	1,603,249	**(1,418,663)**
Total operating revenues	51,209,269	49,756,068	**1,453,201**
Operating expenses			
Salaries and wages	19,018,342	18,424,450	**(593,892)**
Employee benefits	5,362,142	4,712,772	**(649,370)**
Professional fees and other purchased services	12,529,955	10,644,613	**(1,885,342)**
Supplies	8,731,968	7,739,149	**(992,819)**
Depreciation and amortization	2,511,552	2,582,910	**71,358**
Insurance	423,464	320,509	**(102,955)**
Utilities	564,968	561,101	**(3,867)**
Repairs and maintenance	894,549	1,238,418	**343,869**
Leases and rentals	64,794	44,312	**(20,482)**
Provider fees	1,210,234	675,425	**(534,809)**
Other	2,178,324	2,795,443	**617,119**
Total operating expenses	53,490,292	49,739,102	**(3,751,190)**
Operating loss	(2,281,023)	16,966	**(2,297,989)**
Nonoperating revenues (expenses)			
Taxation for operations	540,608	490,335	**50,273**
Interest income	356,076	934,182	**(578,106)**
Interest expense	(319,499)	(1,053,352)	**733,853**
Total nonoperating revenues (expenses), net	577,185	371,165	**206,020**
Change in net position before capital grants	(1,703,838)	388,131	**(2,091,969)**
Capital grants	316,082	167,600	**148,482**
Change in net position	$ (1,387,756)	$ 555,731	**$ (1,943,487)**

See accompanying independent auditors' report.

SINGLE AUDIT

AUDITORS' SECTION

ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Wray Community District Hospital
Wray, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wray Community District Hospital (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated June 17, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DZA PLLC

Spokane Valley, Washington
June 17, 2026

ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
THE DISTRICT'S MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Wray Community District Hospital
Wray, Colorado

Report on Compliance for the District's Major Federal Program

Opinion on the District's Major Federal Program

We have audited Wray Community District Hospital (the District's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2025. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on the District's Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DZA PLLC

Spokane Valley, Washington
June 17, 2026

Wray Community District Hospital
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2025

Section I – Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	***Unmodified***			
Internal control over financial reporting:				
• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(ies) identified?	____	yes	X	none reported
Noncompliance material to financial statements noted?	____	yes	X	no

Federal Awards:

Internal control over major federal program:				
• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(ies) identified?	____	yes	X	none reported
Type of auditors' report issued on compliance for major federal program:	***Unmodified***			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____	yes	X	no

Identification of major federal program:

Federal Assistance Listing Number	*Name of Federal Program or Cluster*
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs: $1,000,000

Auditee qualified as low-risk auditee?	X	yes	____	no

Section II – Financial Statement Findings

No matters were reported for 2025.

Section III – Federal Award Findings and Questioned Costs

There are no matters reported for 2025. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

Wray Community District Hospital
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
U.S. Department of Agriculture Direct Programs:				
Community Facilities Loans and Grants	10.766			$ 1,464,805
Total expenditures of federal awards				**$ 1,464,805**

See accompanying independent auditors' report. The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Wray Community District Hospital (the District) under programs of the federal government for the year ended December 31, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate:

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Loans:

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The related loan balance was $1,426,424 at December 31, 2025.

Wray Community District Hospital
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2025

The audit for the year ended December 31, 2024, reported no findings, nor were there any unresolved prior year audit findings from periods ended December 31, 2023, or prior. Therefore, there are no matters to report in this schedule for the year ended December 31, 2025.